

VZCZCXRO0948
PP RUEHBC RUEHDE RUEHDIR RUEHKUK
DE RUEHAK #0298/01 0500542
ZNY SSSSS ZZH
P 190542Z FEB 08
FM AMEMBASSY ANKARA
TO RUEHC/SECSTATE WASHDC PRIORITY 5255
INFO RUCNIRA/IRAN COLLECTIVE PRIORITY
RUEHIT/AMCONSUL ISTANBUL PRIORITY 3886
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

S E C R E T SECTION 01 OF 02 ANKARA 000298

SIPDIS

SIPDIS

EUR/SE (MALIK, GARBE); EEB (LAMBERT, COULTER); ISN
(MCGEEHAN)

E.O. 12958: DECL: 01/17/2018

TAGS: [KNNP](#) [MNUM](#) [IR](#) [TU](#) [EFIN](#)

SUBJECT: TURKEY: MORE FROM BRSA ON IRANIAN BANKING INTEREST

REF: A. ANKARA 277

[B](#). STATE 5584

[C](#). 2007 ANKARA 2777

Classified By: Acting Economic Counselor Courtney Turner for reasons 1.
4 (b,d)

[1](#). (S) Summary. In a follow-up meeting on Ref B issues, Banking Regulation and Supervision Agency (BRSA) Chairman Tefik Bilgin (please protect) told us that the proposed Bank Melli purchase of Adabank is not possible at this time. Adabank is under the supervision of Turkey's Securities Deposit Insurance Fund (SDIF). Eighteen months ago, a Kuwaiti coalition made a 45 million YTL (or USD 37.5 million) offer to buy Adabank. BRSA reviewed the financial ability of the coalition, found it lacking, and disapproved the bid. The Kuwaitis appealed that decision to the Danistay (Turkish Court of Appeals), which has not yet ruled. While that decision is pending, Adabank remains under SDIF supervision and cannot be bought or sold. Additionally, Bilgin said the most optimistic blue-sky valuation of Adabank would be USD 100 million. He called the reported Melli bid of USD 250 million "absurd" and "way too much". End summary.

[2](#). (S) Bilgin noted that BRSA and SDIF were one organization until the 2004 Banking Act separated them. Both entities now report directly to Deputy Prime Minister for Economy Nazim Ekren. Bilgin called BRSA and SDIF "twin brothers" who work together. It is apparent, though, that like brothers they also sometimes fight and have conflicting priorities. SDIF's mandate is to sell off its assets for the most money as quickly as possible. BRSA must approve all sales related to bank assets and goes through the due diligence process outlined in para 4 below before the sale can be approved. He said the SDIF sometimes makes a handshake deal with a potential buyer that the BRSA then has to disapprove, as in the case of the Kuwaiti Coalition-bid on Adabank. Bilgin said after the SDIF handshake is made, there is "much pressure" for BRSA to approve the deal, but the BRSA board only does so when the financial condition, capital adequacy, and buyer's reputation make it "fit and proper" for approval to be granted. He noted that when BRSA disapproved the deal by a Kuwaiti group headed by TII's Adnan al Bahar (NFI), the head of SDIF was quoted in the press as saying BRSA had made a "stupid" decision. (Note that Adnan al Bahar, Finance Minister Kemal Unakitan, and the current head of SDIF are all former employees of Istanbul-based Albaraka Turk participation bank. End note.)

[3](#). (S) Bilgin gave more detail about the 9/07 meeting with a team of visiting Iranian businessmen outlined in Ref C. The group was coming to Turkey to deliver two messages: a) Iran is ready for Turkish banks to open operations in Iran and willing to give them preferential tax treatment and business

incentives; and b) Iranian banks want to be in Turkey. As noted in para 4, Bilgin told them no approval to start a bank from scratch in Turkey has been made for more than seven years. Bilgin told the group the only way to get into the Turkish market was to buy an existing bank, and he outlined the due diligence process they would have to undertake. Bilgin added that no specific bank names in Turkey or Iran were discussed in the meeting. Bilgin gave us the names of the delegation from Iran, which was led by an Iranian diplomat assigned to Turkey, Ahmad Noorani. Other participants were Abdolreza R. Hanjani, Mohamad Nahavandian, and Yahya Ale-es Hagh. He did not give us information on their companies or affiliations.

¶4. (S) Bilgin described the process for the purchase and sale of banks in Turkey and beyond. Any entity wishing to buy a Turkish bank must go through a due diligence process lasting at least three months and culminating in a vote by the BRSA board. Without the seven-member board's majority-vote approval, the purchase cannot be made. Bilgin advised that no permission has been given for seven years for the creation of a new bank in Turkey, although he noted that many purchases and mergers have occurred during that period. He added that any Turkish bank wishing to open a branch outside Turkey or buy a bank outside Turkey must go through the same due diligence process and receive board approval before completing a deal. Bilgin reported that in 2004, Ziraat Bank applied for permission to open a representative office in Tehran. The permission was granted and the rep office was opened.

¶5. (S) Regarding the UNSCR 1737 and 1747 sanctions process, Bilgin said the MFA quickly transmits the official UNSCR names and data to BRSA. BRSA then shares that information

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in-house and prepares notices for the banking association and individual banks, asking them to query their customer databases and freeze any relevant accounts. Bilgin noted that these processes are done as quickly as possible given technological constraints.

¶6. (S) As noted in Ref A, we attempted to get a meeting with SDIF to inform them in person about Ref B points but SDIF declined to meet.

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